

EYERLY-BALL COMMUNITY
MENTAL HEALTH SERVICES

FINANCIAL REPORT
JUNE 30, 2008 AND 2007

EYERLY-BALL COMMUNITY
MENTAL HEALTH SERVICES

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JUNE 30, 2008 AND 2007

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"Achieving your goals with our knowledge"

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Eyerly-Ball Community Mental Health Services
Des Moines, Iowa

We have audited the accompanying statement of financial position of Eyerly-Ball Community Mental Health Services (a non-profit organization) as of June 30, 2008, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's June 30, 2007 financial statements and, in our report dated August 15, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eyerly-Ball Community Mental Health Services as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements are those of Eyerly-Ball Community Mental Health Services only and are not those of the primary reporting entity. The combined financial statements of Eyerly-Ball Community Mental Health Services, Westminster House, Inc., W.H. II, LTD., W.H. III, Inc. (the Westminster Group), and Behavioral Health Resources, Inc., related nonprofit entities and their majority owned subsidiary, Golden Circle Behavioral Health, L.C., have been issued as the financial statements of the primary reporting entity.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
January 27, 2009

EYERLY-BALL COMMUNITY MENTAL HEALTH SERVICES

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 WITH COMPARATIVE TOTALS AS OF JUNE 30, 2007

<u>ASSETS</u>		
	<u>2008</u>	<u>2007</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 75,330	\$ 68,841
Accounts receivable, less allowance for doubtful accounts of \$66,966 in 2008:		
Government fees	237,463	225,436
Clients	182,191	204,995
Golden Circle Behavioral Health, L C	2,718	2,044
Behavioral Health Resources, Inc	41,134	4,744
Westminster House, Inc	1,888	278
Other	85,259	93,115
Loan receivable - Behavioral Health Resources, Inc.	180,000	-
Prepaid expenses	-	1,484
Total current assets	<u>805,983</u>	<u>600,937</u>
<u>NON-CURRENT ASSETS:</u>		
Investment in Golden Circle Behavioral Health, L C.	85,230	93,298
Loan to Behavioral Health Resources, Inc	5,000	5,000
Property and equipment (net of accumulated depreciation/amortization)	1,063,831	1,128,743
Security deposit	2,326	2,326
Investment in Greater Des Moines Community Foundation	7,911	8,195
Total non-current assets	<u>1,164,298</u>	<u>1,237,562</u>
TOTAL ASSETS	\$ <u>1,970,281</u>	\$ <u>1,838,499</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 38,303	\$ 9,133
Accounts payable - Behavioral Health Resources, Inc.	139,153	24,484
Accounts payable - Golden Circle Behavioral Health, L C.	243,288	180,577
Accounts payable - Westminster House, Inc	4,371	1,667
Accounts payable - Polk County	24,023	-
Consultec overpayment payable	9,115	24,141
Refundable security deposit	8,900	8,900
Accrued interest	688	549
Accrued payroll	81,569	78,757
Accrued vacation payable	76,965	79,685
Accrued payroll taxes, benefits and fees	5,881	7,164
Line of credit	150,000	185,000
Loan from Westminster House, Inc	70,000	70,000
Note payable	200,000	-
Current portion of capital leases and mortgages payable	56,314	52,394
Total current liabilities	<u>1,108,570</u>	<u>722,451</u>
<u>LONG-TERM LIABILITIES:</u>		
Capital leases and mortgages payable - Less current portion	<u>778,904</u>	<u>833,141</u>
<u>NET ASSETS:</u>		
Unrestricted	75,439	267,539
Temporarily restricted	7,368	15,368
TOTAL NET ASSETS	<u>82,807</u>	<u>282,907</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,970,281</u>	\$ <u>1,838,499</u>

See Accompanying Notes to Financial Statements

EYERLY-BALL COMMUNITY MENTAL HEALTH SERVICES

STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2008</u>	<u>2007</u>
<u>PUBLIC SUPPORT AND REVENUE:</u>				
Public support:				
Contributions	\$ <u>1,110</u>	\$ <u>-</u>	\$ <u>1,110</u>	\$ <u>8,732</u>
Fees and grants from government agencies	<u>1,447,426</u>	<u>-</u>	<u>1,447,426</u>	<u>1,523,269</u>
Revenue:				
Private patient and client participation	1,160,449	-	1,160,449	1,118,392
Investment income	987	-	987	2,468
Net realized and unrealized gains (losses) on investments	(159)	-	(159)	9,676
Equity in net income (loss) of limited liability company	(8,068)	-	(8,068)	15,853
Miscellaneous	<u>21,288</u>	<u>-</u>	<u>21,288</u>	<u>19,500</u>
	<u>1,174,497</u>	<u>-</u>	<u>1,174,497</u>	<u>1,165,889</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>8,000</u>	<u>(8,000)</u>	<u>-</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>2,631,033</u>	<u>(8,000)</u>	<u>2,623,033</u>	<u>2,697,890</u>
<u>EXPENSES:</u>				
Program services	2,572,936	-	2,572,936	2,706,763
Supporting services	<u>250,197</u>	<u>-</u>	<u>250,197</u>	<u>242,056</u>
TOTAL EXPENSES	<u>2,823,133</u>	<u>-</u>	<u>2,823,133</u>	<u>2,948,819</u>
CHANGE IN NET ASSETS	(192,100)	(8,000)	(200,100)	(250,929)
<u>NET ASSETS</u> - Beginning of year	<u>267,539</u>	<u>15,368</u>	<u>282,907</u>	<u>533,836</u>
<u>NET ASSETS</u> - End of year	\$ <u>75,439</u>	\$ <u>7,368</u>	\$ <u>82,807</u>	\$ <u>282,907</u>

See Accompanying Notes to Financial Statements

EYERLY-BALL COMMUNITY MENTAL HEALTH SERVICES

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2007

	Program Services			
	Community Support Programs	Elderly Outreach Programs	Clinical and Psychiatric Services	Mobile Crisis Response Program
Salaries	\$ 359,440	\$ 171,826	\$ 976,697	\$ 298,026
Employee benefits	32,388	8,427	69,011	10,298
Payroll taxes	<u>55,788</u>	<u>13,998</u>	<u>72,613</u>	<u>24,689</u>
Total salaries and related expenses	447,616	194,251	1,118,321	333,013
Contract services	-	-	-	-
Utilities	2,951	622	17,152	677
Occupancy	3,042	831	20,872	637
Professional fees	7,926	7,195	35,525	10,869
Office supplies	15,715	459	10,411	1,457
Equipment repairs and maintenance	7,035	1,256	28,164	1,367
Telephone	5,903	2,084	6,235	3,476
Postage	378	313	862	262
Insurance - General	4,301	2,691	8,549	5,308
Transportation	23,149	6,739	5,002	4,011
Conferences and training	727	50	2,822	401
Advertising	1,381	993	3,240	397
Printing	377	412	2,082	418
Miscellaneous	372	-	2,881	-
Subscriptions and dues	672	1	103	1
Payroll service	-	-	-	-
Bad debt expense	<u>6,147</u>	<u>360</u>	<u>159,531</u>	<u>922</u>
Total expenses before depreciation, amortization and interest	527,692	218,257	1,421,752	363,216
Depreciation and amortization	4,661	894	21,572	5,366
Interest expense	<u>4,178</u>	<u>521</u>	<u>1,728</u>	<u>567</u>
TOTAL FUNCTIONAL EXPENSES	\$ <u>536,531</u>	\$ <u>219,672</u>	\$ <u>1,445,052</u>	\$ <u>369,149</u>

See Accompanying Notes to Financial Statements

		Supporting Services			
		Management and		Total	
Other Programs	Total	General	2008	2007	
\$ -	\$ 1,805,989	\$ 132,877	\$ 1,938,866	\$ 2,069,497	
-	120,124	5,989	126,113	169,141	
-	167,088	10,086	177,174	176,155	
-	2,093,201	148,952	2,242,153	2,414,793	
-	-	-	-	5,448	
-	21,402	7,569	28,971	25,649	
-	25,382	6,623	32,005	29,565	
-	61,515	10,369	71,884	85,836	
-	28,042	2,741	30,783	25,988	
-	37,822	5,030	42,852	61,056	
-	17,698	3,809	21,507	20,829	
-	1,815	353	2,168	3,108	
-	20,849	1,657	22,506	20,999	
-	38,901	707	39,608	33,561	
-	4,000	266	4,266	5,118	
2,532	8,543	443	8,986	18,627	
-	3,289	1,253	4,542	5,081	
-	3,253	12,811	16,064	10,340	
-	777	1,053	1,830	2,810	
-	-	2,438	2,438	2,195	
-	166,960	-	166,960	89,344	
2,532	2,533,449	206,074	2,739,523	2,860,347	
-	32,493	22,732	55,225	54,561	
-	6,994	21,391	28,385	33,911	
\$ 2,532	\$ 2,572,936	\$ 250,197	\$ 2,823,133	\$ 2,948,819	

EYERLY-BALL COMMUNITY MENTAL HEALTH SERVICES

STATEMENTS OF CASH FLOWS

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2007

	<u>2008</u>	<u>2007</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in net assets	\$ (200,100)	\$ (250,929)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	55,225	54,561
Capital lease amortization	18,932	16,584
Deferred bond financing charges amortization	1,982	1,982
Equity in net (income) loss of limited liability company	8,068	(15,853)
Net realized and unrealized losses (gains) on investments	(159)	(9,676)
Change in assets and liabilities:		
Increase in accounts receivable	(20,041)	(24,997)
Decrease in prepaid expenses	1,484	2,616
Increase in accounts payable	233,277	186,843
Decrease in accrued liabilities	(15,026)	(20,917)
Increase in accrued payroll	2,812	391
Increase in accrued interest	139	-
Decrease in accrued vacation payable	(2,720)	(9,746)
Increase (decrease) in accrued payroll taxes, benefits and fees	<u>(1,283)</u>	<u>286</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>82,590</u>	<u>(68,855)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of property and equipment	(8,517)	(23,647)
Proceeds from sale of mutual funds	-	122,707
Purchase of mutual funds	-	(9,122)
Distribution from Golden Circle Behavioral Health, L C	-	13,000
Investment in Greater Des Moines Community Foundation	<u>(284)</u>	<u>(8,195)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(8,801)</u>	<u>94,743</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Payments on capital leases	(16,676)	(14,521)
Proceeds from note payable	200,000	-
Loan to Behavioral Health Resources, Inc	(180,000)	-
Proceeds from line of credit	905,000	545,000
Payments on line of credit	(940,000)	(465,000)
Payments on loan from Westminster House, Inc	-	(10,000)
Payments on mortgage	<u>(35,624)</u>	<u>(33,517)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(67,300)</u>	<u>21,962</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,489	47,850
<u>CASH AND CASH EQUIVALENTS - Beginning of year</u>	<u>68,841</u>	<u>20,991</u>
<u>CASH AND CASH EQUIVALENTS - End of year</u>	<u>\$ 75,330</u>	<u>\$ 68,841</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash payments for:

Interest

\$ 51,556 \$ 61,288

See Accompanying Notes to Financial Statements

EYERLY-BALL COMMUNITY
MENTAL HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization:

Eyerly-Ball Community Mental Health Services was organized in February 1969 as a private, nonprofit organization representing the disciplines of psychiatry, clinical psychology, social work, and related mental health professions. The purpose of the Organization is to provide and coordinate services for the elderly, mentally ill, or otherwise disadvantaged individuals, through psychotherapeutic treatment, community consultation, and education programs.

The Organization's major programs are:

Community Support Programs - where a mutually agreed upon individual service plan is developed and implemented to increase the client's level of functioning and promote the enhancement of independent living skills.

Elderly Outreach Programs - where licensed professionals provide therapy to individuals age 60 or older in their homes, as well as providing case management assistance to enable the individuals to live independently rather than in a more restricted or higher level of care setting

Clinical and Psychiatric Services - provides psychotherapy to individuals, groups, and families to alleviate symptoms, change or modify behavior, and increase their level of functioning as well as providing medical services by a licensed physician with a specialty in psychiatry, such as medication evaluation and management, and psychiatric evaluations. Also included are services of an ARNP (nurse practitioner) who serves as a liaison to a variety of individuals and programs and coordinates treatment with clinical staff, outside service providers, and families.

Mobile Crisis Response Program - consists of a mobile mental health team that is dispatched at the request of law enforcement to do on-site assessments of individuals when the offense is superseded by mental health issues.

Other Programs - generally provides some combination of the above services to a specifically targeted population either on a fee-for-service or grant basis

A summary of the Organization's significant accounting policies follows:

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2008, the Organization had no permanently restricted net assets

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Accordingly, actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are considered past due after 30 days and are charged off when management determines the account is uncollectible. The risk of loss on the accounts receivable is the balance owed at the time of default. Bad debts are charged to operations in the year in which the account is determined uncollectible. The Organization has provided an allowance for the year ended June 30, 2008, based on historical collections and management's estimate of the collectibility of accounts receivable.

EYERLY-BALL COMMUNITY
MENTAL HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of the Organization's significant accounting policies follows: (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Mutual Funds

The Organization carries its mutual funds at fair value, determined by quoted market prices. Unrealized appreciation and depreciation are reported as increases or decreases in net assets.

Interest in Limited Liability Company

The Organization is accounting for its interest in Golden Circle Behavioral Health, L.C. using the equity method under which the basis of the investment is adjusted for the Organizations' share of the limited liability company's net income or losses and distributions.

Property and Equipment

The acquisition of property and equipment is recorded at cost. The Organization follows a practice of capitalizing all expenditures for property and equipment in excess of \$1,000. Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	15-39
Furniture, fixtures, and office equipment	3-7
Vehicles	5

Contributions

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long the long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$8,986 for the year ended June 30, 2008.

EYERLY-BALL COMMUNITY
MENTAL HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of the Organization's significant accounting policies follows: (Continued)

Functional Expense Allocation

Salary and related expenses were allocated on the basis of time spent for program services and for supporting services. Depreciation expense was allocated directly to programs when possible with the remaining balance allocated based upon the allocation of space. The allocation of expenses other than salary and related expenses shown on the statement of functional expenses was made by assignment of costs based on the allocation of space or the number of the full time equivalent employees.

Concentration of Credit Risk

Eyerly-Ball Community Mental Health Services has receivables from governmental or other agencies and clients, which are subject to the possibility that a loss may occur from the failure of these parties to perform according to terms of the agreements from which the receivables arose. The amount of possible loss is equal to the balance of the receivable at the time of failure to perform. Eyerly-Ball Community Mental Health Services does not require collateral or other security to support these financial instruments unless otherwise noted.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2008:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 201,582	\$ -	\$ -	\$ 201,582
Buildings	1,415,367	-	-	1,415,367
Furniture and fixtures	230,075	-	-	230,075
Office equipment	310,190	8,517	-	318,707
Vehicles	43,077	-	-	43,077
	2,200,291	8,517	-	2,208,808
Less accumulated depreciation	1,071,548	73,429	-	(1,144,977)
	\$ <u>1,128,743</u>	\$ <u>(64,912)</u>	\$ -	\$ <u>1,063,831</u>

NOTE 3 – LEASE COMMITMENTS

Operating Leases

The Organization rents office equipment under noncancelable operating leases. Total rent expense for the year ended June 30, 2008 was \$13,716.

The total future minimum lease payments required for these operating leases are as follows:

<u>June 30,</u>	
2009	\$ 13,716
2010	<u>1,143</u>
	\$ <u>14,859</u>

EYERLY-BALL COMMUNITY
MENTAL HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – LEASE COMMITMENTS (Continued)

Capital Leases

The Organization entered into two capital lease agreements during 2004 and 2005 to purchase telephone equipment. Capital leases are included in furniture and fixtures in Note 2:

Cost	\$ 74,659
Less accumulated amortization	<u>59,771</u>
	\$ <u>14,888</u>

Future minimum payments under capital leases as of June 30, 2008 are as follows:

	<u>Amounts</u>
<u>June 30,</u>	
2009	\$ 19,051
2010	<u>2,326</u>
	21,377
Less amount representing interest	<u>1,656</u>
Present value of future minimum lease payments	\$ <u>19,721</u>

NOTE 4 – MORTGAGE LOANS

Mental Health Facility Revenue Note, Series 2004

Monthly payments of \$6,047 through August 31, 2009, including interest at 4.25%. The monthly payment and interest rate will be adjusted on August 31, 2009, 2014 and 2019, to 125 basis points over the U.S. Treasury CMT Rate, but with a minimum of 4.0% and a maximum of 6.75%. Secured by a mortgage on property at 945 19th Street, Des Moines, Iowa, with a carrying value of \$862,398 and a mortgage on 1301 Center Street, Des Moines, Iowa with a carrying value of \$134,002.

This agreement also places on the Organization certain financial requirements related to operations of the business.

Future scheduled maturities of long-term debt are as follows:

	<u>Amounts</u>
<u>June 30,</u>	
2009	\$ 37,263
2010	38,884
2011	40,556
2012	42,325
2013	44,158
Thereafter	<u>644,183</u>
	\$ <u>847,369</u>

NOTE 5 – DEFERRED FINANCE COSTS

Costs directly related to the Organization's August 31, 2004 debt refinancing totaling \$39,633 have been deferred and are included net of accumulated amortization of \$7,761 in long-term capital lease and mortgages payable on the accompanying Statement of Financial Position. During the year ended June 30, 2008, \$1,982 in deferred finance charges were amortized and included in current year interest expense under the straight-line method. Deferred finance charges are shown net with proceeds from borrowings on the accompanying Statement of Cash Flows.

EYERLY-BALL COMMUNITY
MENTAL HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – LINE OF CREDIT

The Organization obtained a \$200,000 line of credit with an area bank. Amounts borrowed on the line bear interest at one percent over prime (6 0 percent) at June 30, 2008. This line expires January 5, 2009. Behavioral Health Resources, Inc., Westminster House, Inc., and Golden Circle Behavioral Health, L.C. are co-guarantors on this line of credit. The outstanding balance on this line of credit was \$150,000 at June 30, 2008.

NOTE 7 – NOTE PAYABLE

The Organization obtained a \$200,000 short-term loan from Polk County. There is no interest on this note and it is due December 31, 2008.

NOTE 8 – INCOME TAX STATUS

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of Iowa income tax law, which provides tax exemption for corporations organized and operated exclusively for religious, charitable or educational purposes. The Organization has also been classified as an entity that is not a private foundation.

NOTE 9 – RENTAL REAL ESTATE

On April 1, 2004, Eyerly-Ball Community Mental Health Services entered into 63 month lease agreements with Behavioral Health Resources, Inc. and Golden Circle Behavioral Health, L.C., both related entities, for space in a new building. The lease agreements call for monthly payments of \$768 and \$6,289, respectively, for fiscal 2008 and \$826 and \$6,431, respectively, for fiscal 2009. Lease rates are calculated based on direct costs with year-end adjustments. These leases expire on June 30, 2009 and contain five-year renewal options.

Future minimum rentals based on fiscal year 2009 rent are as follows:

	<u>Amounts</u>
<u>June 30,</u> <u>2009</u>	\$ <u>87,084</u>

Eyerly-Ball Community Mental Health Services has recorded security deposit liabilities in the amounts of \$3,900 and \$5,000 to Behavioral Health Resources, Inc. and Golden Circle Behavioral Health, L.C., respectively, at June 30, 2008.

NOTE 10 – MAJOR REVENUE SOURCES

Polk County Health Services, Inc. is a major funding source of the Organization. Revenues and accounts receivable from Polk County Health Services, Inc. for the year ended June 30, 2008 were as follows:

Net revenue:	
Polk County Health Services, Inc. – Direct	\$ 966,633
Golden Circle Behavioral Health, L.C. – Indirect	<u>3,965</u>
Total Polk County Health Services, Inc.	\$ <u>970,598</u>
Percentage of total revenue	39%
Accounts receivable:	
Polk County Health Services, Inc.	\$ <u>108,560</u>

EYERLY-BALL COMMUNITY
MENTAL HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 11 – RETIREMENT PLAN

The Organization maintains a retirement program qualified under Section 401(k) of the Internal Revenue Code covering all eligible employees. The program allows the Organization to make discretionary contributions to the program, subject to certain limitations. Eyerly-Ball Community Mental Health Services has recognized expenses related to these contributions of \$8,243 for the year ended June 30, 2008.

NOTE 12 – GOLDEN CIRCLE BEHAVIORAL HEALTH, L.C.

On August 31, 1996, Eyerly-Ball Community Mental Health Services entered into an operating agreement to become an initial member of Golden Circle Behavioral Health, L.C. This entity was formed for the purpose of contracting for behavioral health services on behalf of its members. The members work in unison with Polk County Health Services, Inc. to provide services that are flexible and able to meet the changing expectations of consumers. At June 30, 2008, Eyerly-Ball Community Mental Health Services had a 33.33 percent ownership in Golden Circle Behavioral Health, L.C.

Eyerly-Ball Community Mental Health Services provides program services to Golden Circle Behavioral Health, L.C., primarily to clients on behalf of Polk County. Total amounts earned by Eyerly-Ball Community Mental Health Services for these services during the year ended June 30, 2008 were \$3,245.

Eyerly-Ball Community Mental Health Services and Golden Circle Behavioral Health, L.C. share some expenses such as advertising. Each entity reflects only its own portion of the expenses in their respective statement of activities. Amounts payable to Golden Circle Behavioral Health, L.C. at June 30, 2008 were \$243,288. Amounts due from Golden Circle Behavioral Health, L.C. as of June 30, 2008 were \$2,718.

Condensed financial information of Golden Circle Behavioral Health, L.C. as of June 30, 2008 is as follows:

ASSETS

Current assets	\$ 774,204
Property and equipment	95,373
Other assets	<u>5,000</u>
	\$ <u>874,577</u>

LIABILITIES AND MEMBERS' EQUITY

Current liabilities	\$ 634,241
Members' equity	<u>240,336</u>
	\$ <u>874,577</u>
Decrease in members' equity	\$ <u>(24,205)</u>

NOTE 13 – RELATED PARTIES

Eyerly-Ball Community Mental Health Services conducts various transactions with Behavioral Health Resources, Inc. and Westminster House, Inc., W.H. II, LTD. and W.H. III, Inc., related parties due to common boards of directors and common management.

All staff of Eyerly-Ball Community Mental Health Services are employees of Behavioral Health Resources, Inc. Behavioral Health Resources, Inc. passes on expenses for payroll, employee benefits, insurance and other miscellaneous expenses. Eyerly-Ball Community Mental Health Services continues to reflect all expenses and accruals related to these transactions by natural classification in their financial statements. Amounts paid to Behavioral Health Resources, Inc. for the year ended June 30, 2008 were approximately \$2,348,313. The amount payable to Behavioral Health Resources, Inc. at

EYERLY-BALL COMMUNITY
MENTAL HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – RELATED PARTIES (Continued)

June 30, 2008 was \$139,153. The amount receivable from Behavioral Health Resources, Inc. at June 30, 2008 was \$41,134. Behavioral Health Resources, Inc. also passes on to Eyerly-Ball Community Mental Health Services revenues received for interest and management fees, as well as refunds. During a prior year, Eyerly-Ball Community Mental Health Services made a \$5,000 no interest loan to Behavioral Health Resources, Inc. to facilitate operational cash flow. This amount is outstanding at June 30, 2008. Prior to July 1, 2005, Westminster House, Inc. made an \$80,000 no interest loan to Eyerly-Ball Community Mental Health Services to facilitate operational cash flow. At June 30, 2008, \$70,000 was outstanding on this loan. Eyerly-Ball Community Mental Health Services also received \$200,000 from Polk County. Of this amount, \$180,000 was loaned to Behavioral Health Resources, Inc. The amount due to Eyerly-Ball Community Mental Health Services at June 30, 2008 is \$180,000.

Several expenses such as advertising are frequently shared by Westminster House, Inc., Eyerly-Ball Community Mental Health Services, and Golden Circle Behavioral Health, L.C. Each entity reflects only its portion of the expenses in their respective statement of activities. The amount payable to Westminster House, Inc. at June 30, 2008 is \$4,371. Additionally, at June 30, 2008, the Organization has a \$1,888 receivable from Westminster House, Inc. for various operational activities.

NOTE 14 – COMMITMENTS

Eyerly-Ball Community Mental Health Services is a guarantor on a \$100,000 line of credit for Westminster House, Inc. The amount outstanding at June 30, 2008 on this line of credit was \$75,000.

NOTE 15 – COMPARATIVE AMOUNTS

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2007 from which the summarized information was derived.

NOTE 16 – NET ASSETS

Net assets at June 30, 2008 include the following balances:

Temporarily restricted net assets:	
Restricted for employee benefits	\$ 5,190
Patient education	100
Supported Community Living Program activities	<u>2,078</u>
	\$ <u>7,368</u>

During the year ended June 30, 2008, temporarily restricted net assets were released from restrictions by incurring expenses satisfying the purpose restrictions imposed by the grantor as follows:

Mobile Crisis	\$ 3,000
Supported Community Living Program activities	<u>5,000</u>
	\$ <u>8,000</u>



ANDERSON, LARKIN & CO. P.C.
Certified Public Accountants
"Achieving your goals with our knowledge."

Kenneth E. Crosser CPA
April D. Hammack CPA
Michael J. Podliska CPA

David W. Goodman CPA (Former Principal)
Robert E. Wells CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)
Joseph C. Larkin CPA (1960-1990)

Eyerly-Ball Community Mental Health Services

Total fees and hours for the audit of the June 30, 2008 financial statements:

Total Hours – 264

Total Fee – \$12,725

NEWS RELEASE

FOR RELEASE:

Anderson, Larkin & Co. P.C. released an audit report of the Eyerly-Ball Community Mental Health Services in Des Moines, Iowa.

The report included comments and recommendations in addition to reporting the financial transactions of the Organization.

Anderson, Larkin & Co. P.C. reported that the Eyerly-Ball Community Mental Health Services' revenue totaled \$2,623,033 for the year ended June 30, 2008.

Expenses for the year totaled \$2,823,133 for the year ended June 30, 2008.

The Organization ended the fiscal year with a net asset balance of \$82,807.

A copy of the audit report is available for review in the Office of the Auditor of the State of Iowa, on the Auditor of State's website at <http://auditor.iowa.gov/reports/reports.htm> and in the Organization's office.

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